

**DOCKET SECTION
BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001**

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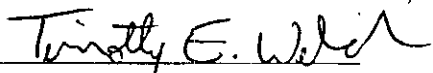
POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

**NIAGARA TELEPHONE COMPANY, INTERVENOR,
SUBMISSION OF DIRECT TESTIMONY
(December 30, 1997)**

Niagara Telephone Company (Niagara), Intervenor, by its attorneys, hereby submits the direct testimony of Sydney R. Peterson, President of Niagara, as its direct case-in-chief.

Respectfully submitted,
NIAGARA TELEPHONE COMPANY



Timothy E. Welch

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Washington, D.C. 20036
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December 30, 1997

Its Attorney

TESTIMONY OF SYDNEY R. PETERSON
President, Niagara Telephone Company

1. I am President of Niagara Telephone Company located in Niagara, Wisconsin. I am also Corporate Secretary of Wittenberg Telephone Company located in Wittenberg, Wisconsin. Each month these telephone companies deposit a combined total of approximately 5600 telephone bills at their local post offices. Postage meters are used to affix first class postage to these monthly bills.

2. The local post offices take the monthly bills out of the mail bins in which the monthly bills are delivered and places either places them into on premises post boxes for customer pick up or the local post office delivers the bills to a local address. That mail is not processed by a second post office facility. I am aware that in the State of Wisconsin numerous other electric and telephone utilities, and their respective local post offices, operate similarly.

3. Niagara's purpose in participating in this proceeding is to obtain rate relief for small companies and individuals who deposit mail into "local only" depositories or who otherwise deliver mail to a local post office in a manner designated by the local post office for the receipt of local mail. For instance, our telephone companies deliver their 5600 monthly bills to the local post offices in mail bins which are processed by the local post offices for local delivery.

4. Niagara proposes the adoption of two sub-classes for First Class mail. One sub-class would be for mail which is properly deposited into a post office's "local only" mail depository for delivery in the local area as determined by the local post office. Based upon my personal examination of more than 100 local post offices, this manner of mail processing is pervasive and according to one of the Post Office's interrogatory responses, this type of mail processing is required by Section 312.2 of the Postal Operations Manual. The local only mail depositories are clearly

marked for local delivery and show the area which is considered "local" for a particular mail depository as required by Postal Transmittal Letter TL-12, 11-18-74, Issue 90. The other sub-class of First-Class mail would consist of all mail which is not properly deposited into a local only mail depository.

5. Attached A hereto are copies of to pieces of mail which were canceled by the USPS in 1946. In 1946, out-of-town postage cost three times more than did in town postage. For reasons which are not known, the USPS eliminated the local mailing rate and eliminated the implicit acknowledgment that local mail simply does not cost as much to process as does mail which is sent long distances.

6. Generally speaking, the various local post offices know best their own mail flows and they are best able to determine whether "Local Mail" should consist of one or several ZIP codes. Thus, Niagara believes that mail deposited into a "Local Only" mail box or mail slot which lists several ZIP codes should be priced the same as would mail deposited into a "Local Only" mail box or mail slot which lists only one ZIP code.¹

7. A discount is given to pre-barcoded mail because such mail more easily processed with automation and a discount is given for presorted mail. "Local Only" mail is the ultimate presorted/pre-barcoded mail -- it is delivered to the delivering post office by the mailer. Mail deposited by the mailer into "Local Only" depositories is presorted by the mailer to the five digit zip code of the "local" community. Thus, "Local Only" mail handling results in reduced mail handling

¹ This is intended to be responsive to the Postal Rate Commission's concern expressed in Docket No. R94-1 at V-24 that a proliferation of rates might ensue if the "Local Only" pricing concept were adopted. "Local Only" mail existed as a matter of historical record. There is no reason why it cannot be reinstated so that mailers more closely pay for the services actually received.

for the Post Office. The only sorting which remains for the Post Office is limited to placing the mail in a recipient's post box or in a mail carrier's mail bag, operations which do not require a bar code.

8. Consequently, First Class mail which is deposited into a "Local Only" mail box should receive the combined discount for the first ounce received by first class pre-barcoded and presorted (5 digit) mail using the rates for those services which are effective after implementation of the rates proposed in the instant proceeding.

9. The Postal Rate Commission in Docket 90R-1 indicated that some "local" mail may be processed at a central processing facility and returned to the local post office. To the extent that "Local Only" mail is taken from the receiving post office and transported to a central processing facility for delivery back to the receiving post office, that practice is either unreasonable, wasteful of natural resources, environmentally unsound, and otherwise uneconomical or the result of a calculation which shows that the procedure is more efficient than leaving the mail at the local post office. In the first instance, the public should not bear the burden of such an inefficiency, in the second instance the public should recover the realized cost savings through lower rates. Moreover, regardless of where "local" mail is ultimately processed, mail which comes out of a "Local Only" mail depository located on post office premises is presorted to the five digit ZIP code or ZIP codes which the local post office has carefully selected as the most efficient way to handle local only mail. Mailers should be receive a reduced rate for those efficiencies.

ATTACHMENT A

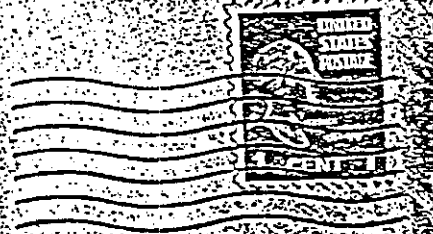
*Wm. Wolff on
Long Lake
Wis*



*Niagara Telephone Co
Wittenberg
Wisconsin*



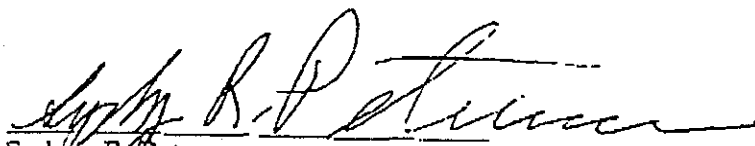
Schlyter Insurance Agency
KENNETH S. SCHLYTER, Agent
WITTENBERG, WISCONSIN



Raymond G. Peterson, Manager
Wittenberg Tele. Co.
Wittenberg, Wisconsin

Certification

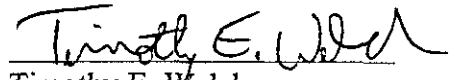
I hereby certify under penalty of perjury that I have read the foregoing testimony and that the statements made therein, except for those about which public notice may be taken, are true and correct to the best of my knowledge, information, and belief.


Sydney R. Peterson

[This is a FAX signature, please contact counsel if the original signature is required.]

CERTIFICATE OF SERVICE

I hereby certify that I have this 30th day of December 1997 supervised the service of the foregoing document upon all parties of record as required by Section 12 of the Rules of Practice.


Timothy E. Welch